

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	CSSB 48(RES)
Fiscal Note Number:	5
(S) Publish Date:	5/5/2023

Identifier: SB048CS(RES)-DNR-DMLW-05-02-23
Title: CARBON OFFSET PROGRAM ON STATE LAND
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: (S)RES

Department: Department of Natural Resources
Appropriation: Fire Suppression, Land & Water Resources
Allocation: Mining, Land & Water
OMB Component Number: 3002

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2024 Appropriation Requested	Included in Governor's FY2024 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Personal Services	117.5		117.5	117.5	117.5	117.5	117.5
Travel	5.0		5.0	5.0	5.0	5.0	5.0
Services	17.4		17.4	17.4	17.4	17.4	17.4
Commodities	12.0		2.0	2.0	2.0	2.0	2.0
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	151.9	0.0	141.9	141.9	141.9	141.9	141.9

Fund Source (Operating Only)

1004 Gen Fund (UGF)	151.9		141.9	141.9	141.9	141.9	141.9
Total	151.9	0.0	141.9	141.9	141.9	141.9	141.9

Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary							

Change in Revenues

None	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2024) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? yes
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 06/01/24

Why this fiscal note differs from previous version/comments:

This fiscal note refers to CSSB 48(RES), clarifies bill implementation, and clarifies fund sources. Personal Services was updated to more accurately reflect the anticipated starting step. Commodities was updated to more accurately reflect anticipated start-up and ongoing costs. Analysis was updated accordingly. The number of staff is reduced from four to one. After further internal discussions it was decided that the interest in the leasing program is unknown and a reduction in staff needed to stand the program was appropriate. If demand is high, the Department will seek additional positions in the future.

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Division:	Mining Land & Water	Date:	04/26/2023
Approved By:	Theresa Cross, Administrative Services Director	Date:	05/02/23
Agency:	Natural Resources		

FISCAL NOTE ANALYSIS

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Analysis

This bill establishes a carbon offset program in the Department of Natural Resources (Department) and authorizes leasing of state lands for carbon management purposes. The proposed programs will facilitate use of state lands and generate new revenue streams for the state. The Department envisions them as separate programs with separate staff and funding, but sharing a central coordinator with in-house carbon management expertise. The leasing program allows entities to apply for leases of state lands for carbon management purposes. The offset program allows the state to undertake carbon offset projects.

REVENUE

Revenues are not specifically estimated for either program due to timeline uncertainty and potential project variations. After legislative enactment, the Department assumes that carbon offset program stand-up and initial project identification would occur during CY 2023 and 2024. Project development is estimated to begin in CY 2024 or 2025. Current approximations for carbon offset projects have a development timeline of 18 to 24 months before generating credits, and earliest credit sales may occur in FY 2028. Revenue generated from carbon offset credits is deposited into the Carbon Offset Fund established by this bill.

Leasing revenue will be driven by demand, value and area of lands leased, and rental payments as established under AS 38.05.081(f), and is deposited in general fund program receipts.

EXPENDITURES

The Department will lay a foundation for leases and offset projects and then fill out staffing based on program demand. A large project coordinator and administrative officer housed in the Department's Office of Project Management and Permitting (OPMP) will coordinate Department subject matter experts, planners, foresters and adjudicators in the Divisions of Mining, Land & Water (DMLW) and Forestry & Fire Protection (DOF). Staff in DMLW support the leasing program established under AS 38.05.081 and are funded by unrestricted general funds then, as available, through program receipts; the intent is to utilize receipt authority in place of general fund dollars. Staff in DOF and OPMP are funded by unrestricted general funds; the intent is to utilize the Carbon Offset Fund in place of general fund dollars.

The Department anticipates an increase in applications starting in CY 2024. The Department intends to address the immediate need to develop regulations consistent with the requirements of this legislation by adding one staff position (Natural Resource Specialist 3, Range 18) within the Division of Mining, Land & Water (Division). The Department anticipates this process could take 1 to 1.5 years to complete. This first step is necessary to ensure a consistent adjudicatory framework for agency staff and businesses applying to the state under provisions of this bill. After regulations are adopted, this position will transition to a Division adjudicator role that will begin working on carbon leasing project applications anticipated by the agency. If the Department determines that the number of carbon project leasing applications are outpacing current staff ability to adjudicate applications in a timely fashion, the Department will request additional positions necessary to meet the program demand.

Personnel Costs in the Division of Mining, Land and Water:

One Natural Resource Specialist 3 (Range 18) will be \$117.5 total compensation.

Travel Costs:

The Department anticipates \$5.0 in annual travel expenses for public and agency meetings related to regulation development and for field verification of parcel locations and conditions beginning in FY 2025.

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AnalysisServices:

Contractual costs for office space, telephones, core service charges and related expenses for new positions are \$15.0 annually. Funding for training staff on carbon offsets and other programmatic areas is estimated at \$2.4 annually.

Commodities/Supplies:

Supply costs including computers are \$2.0 per person annually. Initial office set up is a one-time cost of \$10.0 per staff. First year costs combined (initial and annual) are \$12.0.